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Information

Fiscal Policy and Planning Committee

Update on the Governor's Proposed 2016-17 Budget

AGENDA INSERT

Executive Summary: This agenda item provides an update on the sections of the Governor's proposed 2016-17 budget that relate to the Commission.

Recommended Action: For information only

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Strategic Plan Goal

IV. Operational Effectiveness

- c) Demonstrate professionalism and accountability for high standards of practice in all Commission operations.

June 2016

Update on the Governor's Proposed 2016-17 Budget

Updates to the item as posted have been indicated in bold, italicized print.

Introduction

On January 7, 2016, Governor Jerry Brown submitted his proposed spending plan for the 2016-17 fiscal year to the Legislature. On Friday, May 13, 2016, Governor Brown released the May Revision to his January proposal. This agenda item provides an update on the impacts of these changes to the budget proposed for the Commission on Teacher Credentialing for the 2016-17 fiscal year. ***The legislature's budget conference committee introduced a final budget resulting from negotiations with the Governor's office on June 12. This final budget, SB 826, and the associated education trailer bills (AB 1600 and SB 828) has been approved by the Legislature and must be signed by the Governor prior to the end of the fiscal year on June 30.***

Background

The Constitution requires the Governor, within the first 10 days of each calendar year, to submit to the Legislature a budget for the ensuing fiscal year that contains itemized statements for recommended state expenditures and estimated state revenues. The Governor's Budget must be accompanied by a budget bill that is introduced immediately in each house of the Legislature that itemizes recommended expenditures. The process of developing what becomes the Governor's Budget typically begins after agencies have reported their final year end revenues and expenditures for the preceding fiscal year. Beginning each fall, agencies work with the Department of Finance (DOF) to determine a base budget and to identify, through Budget Change Proposals (BCPs), any programmatic changes proposed for the ensuing fiscal year. The Governor's Budget that is introduced each January is a reflection of each department's base budget, adjusted by proposed Governor's initiatives, budget change proposals, or legislation.

After the Governor's Budget is introduced, the Legislative Analyst's Office (LAO), the Legislature's nonpartisan fiscal advisor, publishes an extensive review of the governor's budget proposal in February that helps inform the budget discussions in both houses of the Legislature. Changes in statute that are needed to implement the Budget Act are included in separate legislation colloquially known as Trailer Bills. The Administration updates its revenue estimates and makes final adjustments to its proposals in mid-May in the May Revision. The Legislature then has until June 15 to pass the budget. When passed by the Legislature and signed by the Governor, the Budget Act provides the fiscal details needed to manage the appropriation.

The Commission is a special-fund agency supported entirely by fees. Prior to the Budget Act of 2013, the Commission's revenue came from two primary sources: credential application fees,

which are the primary source of revenue for the Teacher Credential Fund (TCF) and educator exam fees, which fund the Teacher Development and Assessment Account (TDAA). The Budget Act of 2013 allowed the Commission to recover costs for the approval of new programs and extraordinary accreditation activities, and the Budget Act of 2014 included additional authority to assess an annual accreditation fee to offset normal operating costs for the Commission's accreditation workload.

Proposed 2016-17 Budget

The Commission's budget, including both the current year budget and the 2016-17 budget is provided [here](#).

Since the Governor's initial proposal in January, there has been a substantial overall general fund revenue decline in the current year. The revised budget now estimates general fund revenues will be \$1.938 billion lower over the three-year forecast period (2014-15, 2015-16 and 2016-17), for an overall general fund spending plan for 2016-17 of approximately \$120.1 billion. This has significantly reshaped expectations for the overall level of spending in 2016-17. However, education spending remains a significant priority of this administration, and the proposed budget leaves the Commission's general budget unchanged from what was proposed in January. The January proposal is outlined in greater detail [here](#), but includes:

- A total operating budget of \$29,583,000. The proposed operating budget for FY 2016-17 represents a net decrease in General Fund expenditure authority of \$4,238,000 over the Commission's 2015-16 budget as a result of one-time allocations of funds in the 15-16 budget year for certain Commission projects.
- An expenditure authority of \$6,100,000 for legal services provided by the Attorney General's office. This represents an increase of approximately \$1,000,000 from the 15-16 allocation of \$5,100,000 for this purpose.
- An expenditure authority of \$1,533,000 for continued work on the Commission's Strengthening and Streamlining Accreditation Project (SSAP). This represents a decrease of \$1,934,000 from last year's allocation of \$3,467,000 for this purpose. This decrease is reflective of the reduced need for funding as SSAP continues on the schedule created by the Commission and approved by the California Department of Technology.
- \$1,000,000 for continued work on revised educator performance assessments. This represents a decrease from the \$4,000,000 allocated last year reflective of the needs of those efforts.
- Total authorized positions of 150.9, which is identical to last year's budget.

However, some changes were proposed. In addition to the expenditure authority for legal services provided to the Attorney General's office for the 2016-17 fiscal year, there remains \$2.4 million in unexpended funds appropriated for the 2015-16 fiscal year. These funds remain unspent due to the time needed for the Attorney General's office to fully implement their plan

to increase staffing dedicated to the Commission's workload. Without staff in place, the Commission was not billed for additional work. Therefore, the proposed budget reappropriates these funds to the 2016-17 fiscal year, still allocated to funding the increased workload at the Attorney General's office. This, along with the funds originally allocated as indicated above, will leave the Commission with a total of \$8.5 million available to fund work done by the Attorney General's office on the Commission's behalf.

New programs were also proposed in the May Revision. The first proposal would provide \$10 million in one-time General Fund money for a competitive grant program, administered by the Commission to award one or two year grants of \$250,000 each to postsecondary institutions to create or improve existing four-year integrated programs of teacher preparation. While specific trailer bill language is not yet available, this proposal seems to mirror the concept outlined by Assemblymember Bonilla in AB 1756, which the Commission took a "Seek Amendments" position on at its April 2016 meeting. An analysis of that bill can be found [here](#). While both the Assembly and Senate Budget Subcommittees voted to support this proposal, it should be noted that the Senate proposed allocating the money to the California Community Colleges in order to utilize Proposition 98 funds. Commission staff believe that, while the community colleges will be valuable partners in any effort to expand the use of integrated programs, these grants should primarily be directed at the institutions sponsoring Commission-approved teacher preparation programs. Staff will monitor the ongoing budget negotiations and share this concern.

A compromise proposal has now been reached. This proposal closely mirrors the concept first outlined by Assemblymember Bonilla in AB 1756, and includes the amendments recommended by the Commission at the April meeting. The proposal to allocate the funds to the California Community Colleges was removed from the final language.

The second proposal included in the education trailer bill would allocate \$2.5 million in one-time Proposition 98 funding for the Commission to award, through a competitive bidding process, a grant to a local educational agency to establish the California Center on Teaching Careers. The center would be established to recruit individuals into the teaching profession and would develop and disseminate recruitment publications, provide information on credentialing, teacher preparation programs, and financial aid, create a referral database for teachers seeking employment, provide outreach to high school and college students, and existing teachers. This proposal is very similar to the one outlined by Senator Liu in SB 915, which the Commission has not taken a position on. While both the Assembly and Senate Budget Subcommittees voted to support this proposal, it should be noted that the Senate proposed increasing the funding to \$7 million and crafting trailer bill language that focuses the Center's efforts on recruitment of teachers in chronic shortage areas such as bilingual education and special education.

A compromise proposal has now been reached. It includes language prioritizing recruitment of teachers in chronic shortage areas such as bilingual education and special education, and on

schools that have chronic difficulties in recruiting teachers. In addition, the funding amount was increased to \$5 million.

Additionally, the Assembly proposed \$20 million in grant funding to support AB 2122, which would create the California Classified School Employee Teacher Credentialing Program, a program to provide funding for classified school employees to complete their education and obtain a credential. The Senate also allocated \$60 million in funding for teacher residency grants. Additionally, the Senate and Assembly both provided authorization for new participants in the Assumption Program of Loans for Education (APLE). The Senate authorized 170 new participants, and the Assembly authorized 800. None of these proposals received support in the Governor's May revision.

The final budget compromise included trailer bill language mirroring the concept in AB 2122 and allocating \$20 million in funding to be made available for the 2016–17, 2017–18, 2018–19, 2019–20, and 2020–21 fiscal years. An analysis of that bill can be found [here](#). The trailer bill language addresses several of the Commission's recommendations. However, no funding was allocated in support of the APLE program or teacher residency grants.

Next steps

The Governor's May Revision provides his the framework for the 2016-17 fiscal year. Through the initial work of the Budget subcommittees in both houses of the Legislature, and the ongoing negotiations between the Governor and legislative leaders, a compromise budget must be reached. Legislation must be proposed and passed by the legislature by June 15, in order to meet their Constitutional deadline. Commission staff will continue to monitor these negotiations and provide input and advice where appropriate.

Both houses of the legislature have now approved the compromise budget proposal. The budget and trailer bills will now be sent to the Governor, who has the authority to "blue pencil" the budget before he signs it. To "blue pencil" a budget is to exercise his line item veto authority by reducing particular budget expenditures. The legislature can then attempt to override each line item veto with a two-thirds majority vote. The Governor can also veto the budget and continue negotiations.